

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

MEXICO CITY OFFICE

MELCHOR OCAMPO 171, MEXICO 17, D.F.

TORONTO OFFICE


26TH FLOOR, COMMERCE COURT WEST, TORONTO 1, CANADA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1971

In MEXICAN CURRENCY.....PAGES 2 TO 10

In CANADIAN CURRENCY.....PAGES 12 TO 20



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FINANCIAL STATEMENTS IN MEXICAN CURRENCY

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S. A.)

Consolidated Balance Sheet as at December 31, 1971

With comparative figures as at December 31, 1970

In Mexican Currency

ASSETS			
CURRENT:	1971	1970	
Cash.....	\$ 136,858,577	\$ 215,053,671	
Consumers' accounts receivable, net (Note 2).....	396,846,108	358,492,184	
Material and supplies, at average cost, net.....	131,262,800	128,047,176	
Debtors, claims and other current assets.....	266,567,082	176,159,213	
Insurance and other prepaid expenses.....	39,892,255	23,395,959	
	<u>\$ 971,426,822</u>	<u>\$ 901,148,203</u>	
OTHER:			
Loans to employees.....	\$ 575,151,789	\$ 482,172,697	
Investments in securities, at cost.....	1,593,416	1,402,448	
Notes receivable, non-current.....	5,578,854	11,219,294	
Prepaid expenses and other non-current assets.....	39,934,184	26,988,866	
	<u>\$ 622,258,243</u>	<u>\$ 521,783,305</u>	
FIXED:			
Property, plant and equipment (Notes 3 and 8).....	\$ 6,094,912,934	\$ 5,753,680,795	
Less: Accrued depreciation and amortization (Note 4).....	1,868,520,116	1,742,675,070	
	<u>\$ 4,226,392,818</u>	<u>\$ 4,011,005,725</u>	
Work in progress.....	1,032,890,347	440,465,131	
Stores for construction.....	18,905,477	15,613,074	
Advances for construction.....	11,063,190	13,204,451	
	<u>\$ 5,289,251,832</u>	<u>\$ 4,480,288,381</u>	
On behalf of the Board:			
Hugo B. Margáin, <i>Director</i>			
Guillermo Villarreal Caravantes, <i>Director</i>			
	<u>\$ 6,882,936,897</u>	<u>\$ 5,903,219,889</u>	

LIABILITIES

CURRENT:

	1971	1970
Accounts payable to suppliers, contractors and others.....	\$ 128,805,909	\$ 106,735,324
Dividends declared.....	5,326,342	5,220,300
Current portion of long term debt.....	412,688,574	435,288,000
Accrued interest, wages and other expenses.....	68,881,650	56,502,735
Employees' and pensioners' savings fund.....	17,314,196	18,114,419
	<u>\$ 633,016,671</u>	<u>\$ 621,860,778</u>
LONG TERM (see statement attached) (Note 1).....	\$ 3,268,548,215	\$ 2,454,034,986

OTHER:

Accrued for pensions (Note 5).....	\$ 169,480,785	\$ 186,917,028
Accrued for separation payments (Note 5).....	180,552,612	134,735,440
Consumers' and other deposits.....	131,381,479	133,460,855
	<u>\$ 481,414,876</u>	<u>\$ 455,113,323</u>
	<u>\$ 4,382,979,762</u>	<u>\$ 3,531,009,087</u>

SHAREHOLDERS' INVESTMENT (Note 3)

CAPITAL STOCK:

Preferred shares

Authorized and issued—852,598 shares having a par value of \$13.50 Can. Cy. per share (Note 6).....	\$ 147,400,872	\$ 147,400,872
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Common shares of no par value

Authorized 5,000,000; issued 4,196,111.....	408,416,475	408,416,475
	<u>\$ 555,817,347</u>	<u>\$ 555,817,347</u>

EARNED SURPLUS (Notes 2 and 7):

Statutory reserve.....	\$ 42,868,733	\$ 40,636,996
Reinvestment reserve.....	944,677,863	734,017,998
Retained earnings.....	385,120,343	395,692,558
Unallocated income of previous years.....	—	126,461,962
Unallocated income for the year, after deducting \$2,231,737 in 1971 and \$2,383,908 in 1970 transferred to statutory reserve.....	42,127,629	79,497,080
	<u>\$ 1,414,794,568</u>	<u>\$ 1,376,306,594</u>
	<u>\$ 1,970,611,915</u>	<u>\$ 1,932,123,941</u>

CONSUMERS' COOPERATION TOWARD FIXED ASSETS (not distributable under the Law of the Electric Industry).....

	<u>\$ 529,345,220</u>	<u>\$ 440,086,861</u>
	<u>\$ 6,882,936,897</u>	<u>\$ 5,903,219,889</u>

The attached notes form part of this statement.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S. A.)

**Statement of Consolidated Profit and Loss
for the Year Ended December 31, 1971**

With comparative figures for the year ended December 31, 1970

In Mexican Currency

	1971	1970
OPERATING REVENUE.....	\$ 2,363,333,317	\$ 2,191,053,222
OPERATING AND OTHER EXPENSES:		
Energy purchased.....	\$ 631,403,906	\$ 575,714,028
Fuel.....	84,623,097	78,029,962
Wages.....	565,545,098	528,946,601
Employee benefits (Note 8).....	458,294,776	435,265,394
Operating expenses.....	47,528,533	39,881,137
Maintenance expenses.....	63,828,570	54,601,916
Administrative expenses.....	28,011,278	25,890,115
Taxes and duties.....	24,320,439	23,047,362
Provision for doubtful accounts.....	10,698,790	8,260,068
Provision for depreciation and amortization (Note 4).....	140,653,353	133,651,518
	\$ 2,054,907,840	\$ 1,903,288,101
NET OPERATING REVENUE.....	\$ 308,425,477	\$ 287,765,121
FINANCIAL COST.....	\$ 300,374,412	\$ 239,656,522
Less: Interest during construction.....	21,037,644	18,997,856
	\$ 279,336,768	\$ 220,658,666
Less: Interest earned on immediately realizable securities.....	6,369,066	15,826,058
Net financial cost.....	\$ 272,967,702	\$ 204,832,608
	\$ 35,457,775	\$ 82,932,513
OTHER REVENUE.....	9,261,591	8,046,475
	\$ 44,719,366	\$ 90,978,988
PROVISION FOR EMPLOYEES' SHARE IN PROFITS.....	360,000	9,098,000
NET PROFIT OF THE YEAR.....	\$ 44,359,366	\$ 81,880,988
APPROPRIATION TO THE STATUTORY RESERVE.....	2,231,737	2,383,908
SURPLUS FOR THE YEAR, TO BE ALLOCATED.....	\$ 42,127,629	\$ 79,497,080

The attached notes form part of this statement.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

(Including Compañía de Luz y Fuerza del Centro, S. A.)

Consolidated Statement of Movement of Shareholders' Investment and Consumers' Cooperation Toward Fixed Assets for the Year Ended December 31, 1971 In Mexican Currency

	Capital Stock	Statutory Reserve	Reinvestment Reserve	Retained Earnings	Unallocated Income of Previous Years	Unallocated Income for the Year	Consumers' Cooperation Toward Fixed Assets
Balance at December 31, 1970.	\$555,817,347	\$ 40,636,996	\$734,017,998	\$395,692,558	\$126,461,962	\$ 79,497,080	\$440,086,861
Transfer of the 1970 unallocated surplus.....					79,497,080	(79,497,080)	
Adjustment of the provision for employees' share in profits of 1970.....					4,700,823		
Dividends declared by The Mexican Light and Power Company, Limited on the Preferred shares (\$1.00 Can. Cy. per share).....				(10,572,215)			
Transfer to reinvestment reserve of the unallocated income of previous years.....			210,659,865		(210,659,865)		
Net profit for the year ended December 31, 1971 as per the consolidated profit and loss statement, showing the appropriation to the statutory reserve		2,231,737				42,127,629	
Balance as at December 31, 1971.....	<u>\$555,817,347</u>	<u>\$ 42,868,733</u>	<u>\$944,677,863</u>	<u>\$385,120,343</u>	<u>—</u>	<u>\$ 42,127,629</u>	
Consumers' cooperation toward fixed assets in 1971..							<u>89,258,359</u>
Balance as at December 31, 1971 (according to the Law of the Electric Industry this balance is not distributable to shareholders).....							<u>\$529,345,220</u>

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S. A.)

**Consolidated Statement of Long Term Liabilities
as at December 31, 1971**

	Original Currency	Mexican Currency
The Mexican Light and Power Company, Limited		
First Mortgage and Collateral Trust Bonds:		
5% Series A Sinking Fund Bonds and Debenture Stock, semi-annual payments to 1975.....	US 2,387,690	\$ 29,846,125
	CAN 85,165	1,064,084
4½% Series B serial Bonds, semi-annual maturities to 1975, guaranteed by the Mexican Government.....	US 6,006,000	75,075,000
7% Series D serial Bonds, semi-annual maturities to 1975.	MEX	24,697,000
5.625% Series E serial Bonds, semi-annual maturities to 1977, guaranteed by the Mexican Government.....	US 4,239,261	52,990,760
	CAN 334,000	4,173,123
6% Series F Sinking Fund Bonds, annual payments to 1983	US 3,094,000	38,675,000
Total outstanding.....		\$ 226,521,092
5.5% Cumulative Income Debenture Stock, annual sinking fund \$92,487 U.S. Guaranteed by a general lien on the Company's property in case of default.....	US 2,466,530	\$ 30,831,625
Loans from Nacional Financiera, S. A. (subordinated to above)		
At 7%, semi-annual maturities to 1978.....	MEX	\$ 93,079,403
At 8%, semi-annual maturities to 1981.....	MEX	66,136,704
At 11.25%, a re-financing of the previous two with quar- terly maturities from 1972 to 1989.....	MEX	27,402,802
		\$ 186,618,909
Total.....		\$ 443,971,626

		Original Currency	Mexican Currency
Compañía de Luz y Fuerza del Centro, S. A. (subordinated to above Mortgage Bonds and Income Debenture Stock)			
Comisión Federal de Electricidad:			
Promissory notes			
At 8.755%, annual maturities to 1979.....	GER	45,161,379	\$ 172,601,372
From 6.9375% to 9.5%, serial maturities from 1972 to 1980.....	US	27,890,923	348,636,537
At 6.875% and 12%, semi-annual maturities from 1973 to 1982.....	MEX		632,500,000
Joint contracts with Nacional Financiera, S. A., for subsidi- ary credits (Note 1)			
436-ME at 5.5% and 6%, semi-annual maturities to 1985	US	13,419,000	167,737,500
544-ME at 6.25%, semi-annual maturities to 1988.....	US	10,355,445	129,443,060
659-ME at 7%, semi-annual maturities from 1974 to 1990	US	12,541,002	156,762,528
Pending.....	US	4,301,845	53,773,060
			<u>\$ 1,661,454,057</u>
Promissory notes to various foreign banks:			
At 6.5% to 8.5625%, serial maturities to 1979.....	US	46,317,049	\$ 578,963,116
At 7%, semi-annual maturities to 1972.....	SW	7,192,667	22,926,625
At 7.5%, due 1973.....	US	3,000,000	37,500,000
At 9.875%, due 1975.....	US	15,748,854	196,860,677
At 8.1875%, due 1979.....	US	15,811,788	197,647,356
			<u>\$ 1,033,897,774</u>
Less: Unearned interest, documented.....			11,549,571
			<u>\$ 1,022,348,203</u>
Promissory notes to Mexican banks:			
At 10% and 12%, semi-annual maturities to 1976.....	MEX		\$ 581,050,000
At 8%, with annual maturities to 1981.....	MEX		8,187,661
			<u>\$ 589,237,661</u>
Less: Unearned interest, documented.....			35,774,758
			<u>\$ 553,462,903</u>
Total.....			<u>\$ 3,237,265,163</u>
Consolidated Total			<u>\$ 3,681,236,789</u>
Less: Current portion of long term liabilities:			
The Mexican Light and Power Company, Limited...		\$ 46,727,377	
Compañía de Luz y Fuerza del Centro, S. A.....		<u>365,961,197</u>	\$ 412,688,574
			<u>\$ 3,268,548,215</u>

MEX —Mexican Pesos
 US —American Dollars
 CAN —Canadian Dollars
 GER —German Marks
 SW —Swiss Francs

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S. A.)

**Consolidated Statement of Source and Application of Funds
for the Year Ended December 31, 1971
In Mexican Currency**

SOURCE OF FUNDS

Internal—

Net profit of the year.....	\$	42,127,629	
Appropriation to statutory reserve.....		2,231,737	\$ 44,359,366
Increase in depreciation and amortization.....			140,653,353
Cooperation from consumers toward fixed assets.....			89,258,359
			<u>\$ 274,271,078</u>

External—

Long term credits from:

Foreign banks.....	\$	103,000,000	
Local banks.....		216,719,403	
Comisión Federal de Electricidad and Nacional Financiera, S. A.		915,876,261	
	\$	1,235,595,664	
Less: Used to pay long term liabilities.....		262,694,741	
	\$	972,900,923	
Net increase in accrual for separation payments.....		45,817,172	1,018,718,095
Funds obtained.....			<u>\$ 1,292,989,173</u>

APPLICATION OF FUNDS

Addition to properties, plant and equipment.....			\$ 949,616,804
Increase in working capital.....			36,523,300
Increase in other assets, principally loans to employees.....			100,474,938
Reduction in long term liabilities.....			180,987,120
Reduction in provision for pensions.....			17,436,243
Reduction in other liabilities.....			2,079,376
Reduction in unallocated income:			
Preferred share dividends.....	\$	10,572,215	
Less: Adjustment of the employees' share in profits.....		4,700,823	5,871,392
Funds used.....			<u>\$ 1,292,989,173</u>

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S. A.)

**Notes to Consolidated Financial Statements
as at December 31, 1971**

In Mexican Currency

1. TRANSLATION OF FOREIGN CURRENCIES

The operations effected in 1971 in foreign currencies were stated in Mexican currency at the exchange rates on the date of each operation and the assets and liabilities in foreign currency were translated to Mexican currency at the official exchange rate in effect during December 1971 with the exception of part of the subsidiary credits stemming from the joint contracts of Comisión Federal de Electricidad and Nacional Financiera, S.A. with the International Bank for Reconstruction and Development, which must be paid in the currencies specified by the lender under the terms of the contracts. As of the preparation of the financial statements, this matter was not fully defined and it is estimated that it will be necessary to increase the liabilities by about \$26 million as a result of the change in the rate of exchange between the Mexican peso and other currencies. This difference will be debited to Fixed Assets, in view of the fact that the credits were obtained for the purchase of assets, and the consequent depreciation thereon would not have had an important effect on the results of 1971.

2. ESTIMATE OF ACCOUNTS DIFFICULT TO COLLECT

Collectibles due by various important customers and more than six months old amount to approximately \$42 million and are not covered by the provision for doubtful accounts because the Company considers them collectible in spite of their delinquency, in view of the nature of the debtors.

3. PROPERTY, PLANT AND EQUIPMENT

During 1960, based on an independent expert's studies, a revaluation of the fixed assets was made in the amount of \$1,205.2 million. This revaluation is included in the shareholders' investment.

The net balance of the revaluation of the fixed assets (deducting retirements and accrued depreciation) is \$633.6 million.

The additions to property, plant and equipment subsequent to 1960 were recorded at their cost in Mexican currency.

4. DEPRECIATION AND AMORTIZATION

In 1969, the Company adopted the rates and methods of depreciation used by the Comisión Federal de Electricidad (similar to those used by the majority of companies generating electricity in the world).

The accrued balance is in excess of the reserve for retirement and replacement established by the Law of the Electric Industry.

5. RESERVE FOR PENSIONS AND SEPARATION PAYMENTS

Since 1969, based on actuarial studies, revised periodically, which cover payments to be made up to 1980, annual provisions have been charged to earnings based on the sales of energy, so as to increase the adequacy of the reserves for the liability of the Company for pensions and separation payments.

6. PREFERRED SHARES

These shares are entitled to a cumulative preferred dividend of \$1.00 Canadian currency per share per annum, and to receive \$16.50 Canadian currency per share on redemption or in case of liquidation of the Company.

7. COST OF MATERIALS USED

A difference of opinion exists with a supplier regarding the price of material purchased for operations. As a result accrued differences not recorded in the accounts of the Company from 1960 to 1971 are estimated at \$119 million (\$4 million in 1971). It is considered, for contractual and technical reasons, that this matter will be resolved favourably to the Company.

8. CAPITALIZATION OF EMPLOYEE BENEFITS

Because of the changes in the Federal Labor Law and Social Security Law, it was deemed necessary to revise in 1971 the factor being used to charge Fixed Assets with the corresponding part of the benefits to the employees working on construction. As a result of this change, the charge to properties was \$50 million higher than that which would have resulted from the use of the previous factor.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

Auditors' Report

To the Shareholders of
The Mexican Light and Power Company, Limited:

In our opinion, subject to any effect arising from the resolution of the matters mentioned in Notes 2 and 7 to the financial statements, the consolidated balance sheet in Mexican Currency and the related statements of profit and loss and movement of shareholders' investment fairly present the financial position of The Mexican Light and Power Company, Limited, and subsidiary companies, as of December 31, 1971, and the result of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made in accordance with generally accepted auditing standards including, consequently, the auditing procedures which we considered necessary in the circumstances.

DESPACHO MANUEL RESA

Manuel Resa
Public Accountant

April 14, 1972.
México, D. F.

Subsidiary Companies

Cía. de Luz y Fuerza del Centro, S. A.
Cía. de Luz y Fuerza de Pachuca, S. A.
Cía. Mexicana Meridional de Fuerza, S. A.
Cía. de Luz y Fuerza Eléctrica de Toluca, S. A.
Cía. Mexicana Hidroeléctrica y de Terrenos, S. A.

NOTE: The aggregate remuneration in 1971 to officers of the Company, including the two officers who were among the six directors of the Company, was \$2,320,822 Mexican Currency of which \$88,258 was paid by the Company and the balance was paid by the Company's chief operating subsidiary, Compañía de Luz y Fuerza del Centro S. A. No remuneration was paid by the Company or any of its subsidiaries to directors of the Company who were not also officers of the Company.

FINANCIAL STATEMENTS IN CANADIAN CURRENCY

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S.A.)

Consolidated Balance Sheet as at December 31, 1971

With comparative figures as at December 31, 1970

In Canadian Currency

	ASSETS	
CURRENT:	1971	1970
Cash.....	\$ 10,957,452	\$ 17,433,194
Consumers' accounts receivable, net (Note 2).....	31,773,107	29,061,115
Material and supplies, at average cost, net.....	10,509,431	10,380,125
Debtors, claims and other current assets.....	21,342,439	14,279,748
Insurance and other prepaid expenses.....	3,193,936	1,748,596
	<u>\$ 77,776,365</u>	<u>\$ 72,902,778</u>
OTHER:		
Loans to employees.....	\$ 46,048,982	\$ 39,087,258
Investments in securities, at cost.....	127,577	113,689
Notes receivable, non-current.....	3,197,293	909,490
Prepaid expenses and other non-current assets.....	446,666	1,077,896
	<u>\$ 49,820,518</u>	<u>\$ 41,188,333</u>
FIXED:		
Property, plant and equipment (Note 7).....	\$ 500,133,730	\$ 471,328,987
Less: Accrued depreciation and amortization (Note 3).....	153,545,700	143,075,273
	<u>\$ 346,588,030</u>	<u>\$ 328,253,714</u>
Work in progress.....	85,555,430	38,071,842
Stores for construction.....	1,513,649	1,265,671
Advances for construction.....	885,764	1,070,417
	<u>\$ 434,542,873</u>	<u>\$ 368,661,644</u>
On behalf of the Board:		
Hugo B. Margáin, <i>Director</i>		
Guillermo Villarreal Caravantes, <i>Director</i>		
	<u>\$ 562,139,756</u>	<u>\$ 482,752,755</u>

LIABILITIES

CURRENT:

	1971	1970
Accounts payable to suppliers, contractors and others.....	\$ 10,312,723	\$ 8,652,702
Dividends declared.....	426,299	426,299
Current portion of long term debt.....	33,028,939	35,135,460
Accrued interest, wages and other expenses.....	5,512,346	4,578,473
Employees' and pensioners' savings fund.....	1,386,245	1,468,442
	<u>\$ 50,666,552</u>	<u>\$ 50,261,376</u>

LONG TERM (see statement attached).....	\$ 261,572,214	\$ 197,654,913
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OTHER:

Accrued for pensions (Note 4).....	\$ 13,569,318	\$ 15,152,401
Accrued for separation payments (Note 4).....	14,455,774	10,922,308
Consumers' and other deposits.....	10,518,935	10,818,984
Differences from translation of foreign currencies (Note 1).....	13,232,950	11,165,302
	<u>\$ 51,776,977</u>	<u>\$ 48,058,995</u>
	<u>\$ 364,015,743</u>	<u>\$ 295,975,284</u>

SHAREHOLDERS' INVESTMENT

CAPITAL STOCK:

Preferred shares

Authorized and issued—852,598 shares having a par value of \$13.50 Can. Cy. per share (Note 5).....	\$ 11,510,073	\$ 11,510,073
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Common shares of no par value

Authorized 5,000,000; issued 4,196,111.....	31,928,205	31,928,205
	<u>\$ 43,438,278</u>	<u>\$ 43,438,278</u>

EARNED SURPLUS (Notes 2 and 6):

Statutory reserve.....	\$ 3,935,519	\$ 3,755,050
Reinvestment reserve.....	63,953,301	45,352,801
Retained earnings.....	38,070,482	38,923,080
Unallocated income of previous years.....	—	11,039,829
Unallocated income for the year, after deducting \$180,469 in 1971 and \$199,454 in 1970 transferred to statutory reserve.....	3,932,468	7,166,857
	<u>\$ 109,891,770</u>	<u>\$ 106,237,617</u>
	<u>\$ 153,330,048</u>	<u>\$ 149,675,895</u>

CONSUMERS' COOPERATION TOWARD FIXED ASSETS (not distributable under the Law of the Electric Industry).....

	\$ 44,793,965	\$ 37,101,576
	<u>\$ 562,139,756</u>	<u>\$ 482,752,755</u>

The attached notes form part of this statement.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S.A.)

**Statement of Consolidated Profit and Loss
for the Year Ended December 31, 1971**

With comparative figures for the year ended December 31, 1970

In Canadian Currency

	1971	1970
OPERATING REVENUE.....	\$ 191,110,950	\$ 183,318,704
OPERATING AND OTHER EXPENSES:		
Energy purchased.....	\$ 51,058,477	\$ 48,168,227
Fuel.....	6,843,046	6,528,528
Wages.....	45,732,805	44,255,340
Employee benefits (Note 7).....	37,060,007	36,417,321
Operating expenses.....	3,843,394	3,336,732
Maintenance expenses.....	5,161,497	4,568,375
Administrative expenses.....	2,265,132	2,166,147
Taxes and duties.....	1,966,673	1,928,302
Provision for doubtful accounts.....	865,157	691,095
Provision for depreciation and amortization (Note 3).....	11,542,209	11,369,315
	<u>\$ 166,338,397</u>	<u>\$ 159,429,382</u>
NET OPERATING REVENUE.....	\$ 24,772,553	\$ 23,889,322
FINANCIAL COST.....	\$ 23,594,347	\$ 19,828,432
Less: Interest during construction.....	1,701,210	1,642,744
	<u>\$ 21,893,137</u>	<u>\$ 18,185,688</u>
Less: Interest earned on immediately realizable securities.....	515,035	1,324,118
Net financial cost.....	<u>\$ 21,378,102</u>	<u>\$ 16,861,570</u>
	<u>\$ 3,394,451</u>	<u>\$ 7,027,752</u>
OTHER REVENUE.....	747,597	1,099,761
	<u>\$ 4,142,048</u>	<u>\$ 8,127,513</u>
PROVISION FOR EMPLOYEES' SHARE IN PROFITS.....	29,111	761,202
NET PROFIT OF THE YEAR.....	<u>\$ 4,112,937</u>	<u>\$ 7,366,311</u>
APPROPRIATION TO THE STATUTORY RESERVE.....	180,469	199,454
SURPLUS FOR THE YEAR, TO BE ALLOCATED.....	<u>\$ 3,932,468</u>	<u>\$ 7,166,857</u>

The attached notes form part of this statement.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

(Including Compañía de Luz y Fuerza del Centro, S.A.)

Consolidated Statement of Movement of Shareholders' Investment and Consumers' Cooperation Toward Fixed Assets for the Year Ended December 31, 1971

In Canadian Currency

	Capital Stock	Statutory Reserve	Reinvestment Reserve	Retained Earnings	Unallocated Income of Previous Years	Unallocated Income for the Year	Consumers' Cooperation Toward Fixed Assets
Balance at December 31, 1970.	\$ 43,438,278	\$ 3,755,050	\$ 45,352,801	\$ 38,923,080	\$ 11,039,829	\$ 7,166,857	\$ 37,101,576
Transfer of the 1970 unallocated surplus.....					7,166,857	(7,166,857)	
Adjustment of the provision for employees' share in profits of 1970.....					393,814		
Dividends declared by The Mexican Light and Power Com- pany, Limited on the Preferred shares (\$1.00 Can. Cy. per share).....				(852,598)			
Transfer to reinvestment re- serve of the unallocated income of previous years.....			18,600,500		(18,600,500)		
Net profit for the year ended December 31, 1971 as per the consolidated profit and loss statement, showing the appro- priation to the statutory reserve		180,469				3,932,468	
Balance as at December 31, 1971.....	<u>\$ 43,438,278</u>	<u>\$ 3,935,519</u>	<u>\$ 63,953,301</u>	<u>\$ 38,070,482</u>	<u>—</u>	<u>\$ 3,932,468</u>	
Consumers' cooperation to- ward fixed assets in 1971..							<u>7,692,389</u>
Balance as at December 31, 1971 (according to the Law of the Electric Industry this balance is not distributable to shareholders).....							<u>\$ 44,793,965</u>

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S.A.)

**Consolidated Statement of Long Term Liabilities
as at December 31, 1971**

		Original Currency	Canadian Currency
The Mexican Light and Power Company, Limited			
First Mortgage and Collateral Trust Bonds:			
5% Series A Sinking Fund Bonds and Debenture Stock, semi-annual payments to 1975.....	US	2,387,690	\$ 2,387,690
	CAN		85,165
4½% Series B serial Bonds, semi-annual maturities to 1975, guaranteed by the Mexican Government.....	US	6,006,000	6,006,000
7% Series D serial Bonds, semi-annual maturities to 1975.	MEX	24,697,000	1,977,342
5.625% Series E serial Bonds, semi-annual maturities to 1977, guaranteed by the Mexican Government.....	US	4,239,261	4,239,261
	CAN		334,000
6% Series F Sinking Fund Bonds, annual payments to 1983	US	3,094,000	3,094,000
Total outstanding.....			\$ 18,123,458
5.5% Cumulative Income Debenture Stock, annual sinking fund \$92,487 U.S. Guaranteed by a general lien on the Company's property in case of default.....	US	2,466,530	\$ 2,466,530
Loans from Nacional Financiera, S.A. (subordinated to above)			
At 7%, semi-annual maturities to 1978.....	MEX	93,079,403	\$ 7,452,314
At 8%, semi-annual maturities to 1981.....	MEX	66,136,704	5,295,173
At 11.25%, a re-financing of the previous two with quar- terly maturities from 1972 to 1989.....	MEX	27,402,802	2,193,979
			\$ 14,941,466
Total.....			\$ 35,531,454

	Original Currency	Canadian Currency
Compañía de Luz y Fuerza del Centro, S.A. (subordinated to above Mortgage Bonds and Income Debenture Stock)		
Comisión Federal de Electricidad:		
Promissory notes		
At 8.755%, annual maturities to 1979.....	GER 45,161,379	\$ 13,819,165
From 6.9375% to 9.5%, serial maturities from 1972 to 1980.....	US 27,890,923	27,890,923
At 6.875% and 12%, semi-annual maturities from 1973 to 1982.....	MEX 632,500,000	50,640,513
Joint contracts with Nacional Financiera, S.A., for subsidi- ary credits		
436-ME at 5.5% and 6%, semi-annual maturities to 1985	US 13,419,000	13,419,000
544-ME at 6.25%, semi-annual maturities to 1988.....	US 10,355,445	10,355,445
659-ME at 7%, semi-annual maturities from 1974 to 1990	US 12,541,002	12,541,002
Pending.....	US 4,301,845	4,301,845
		<u>\$ 132,967,893</u>
Promissory notes to various foreign banks:		
At 6.5% to 8.5625%, serial maturities to 1979.....	US 46,317,049	\$ 46,317,049
At 7%, semi-annual maturities to 1972.....	SW 7,192,667	1,835,599
At 7.5%, due 1973.....	US 3,000,000	3,000,000
At 9.875%, due 1975.....	US 15,748,854	15,748,854
At 8.1875%, due 1979.....	US 15,811,788	15,811,788
		<u>\$ 82,713,290</u>
Less: Unearned interest, documented.....		923,966
		<u>\$ 81,789,324</u>
Promissory notes to Mexican banks:		
At 10% and 12%, semi-annual maturities to 1976.....	MEX 581,050,000	\$ 46,521,217
At 8%, with annual maturities to 1981.....	MEX 8,187,661	655,537
		<u>\$ 47,176,754</u>
Less: Unearned interest, documented.....		2,864,272
		<u>\$ 44,312,482</u>
Total.....		<u>\$ 259,069,699</u>
Consolidated Total.....		<u>\$ 294,601,153</u>
Less: Current portion of long term liabilities:		
The Mexican Light and Power Company, Limited...	\$ 3,738,672	
Compañía de Luz y Fuerza del Centro, S.A.....	<u>29,290,267</u>	33,028,939
		<u>\$ 261,572,214</u>

MEX — Mexican Pesos
US — American Dollars
CAN — Canadian Dollars
GER — German Marks
SW — Swiss Francs

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES
(Including Compañía de Luz y Fuerza del Centro, S.A.)

**Consolidated Statement of Source and Application of Funds
for the Year Ended December 31, 1971
In Canadian Currency**

SOURCE OF FUNDS

Internal—

Net profit of the year.....	\$ 3,932,468	
Appropriation to statutory reserve.....	<u>180,469</u>	\$ 4,112,937
Increase in depreciation and amortization.....		11,542,209
Cooperation from consumers toward fixed assets.....		<u>7,692,389</u>
		\$ 23,347,535

External—

Long term credits from:

Foreign banks.....	\$ 8,000,000	
Local banks.....	17,351,434	
Comisión Federal de Electricidad and Nacional Financiera, S.A.....	<u>73,310,856</u>	
	\$ 98,662,290	
Less: Used to pay long term liabilities.....	<u>21,032,405</u>	
	\$ 77,629,885	
Net increase in accrual for separation payments.....	3,533,466	
Difference from translation of foreign currencies.....	<u>2,067,648</u>	83,230,999
Funds obtained.....		<u>\$ 106,578,534</u>

APPLICATION OF FUNDS

Addition to properties, plant and equipment.....		\$ 77,423,438
Increase in working capital.....		2,361,890
Increase in other assets, principally loans to employees.....		8,632,185
Reduction in long term liabilities.....		15,819,105
Reduction in provision for pensions.....		1,583,083
Reduction in other liabilities.....		300,049
Reduction in unallocated income:		
Preferred share dividends.....	\$ 852,598	
Less: Adjustment of the employees' share in profits.....	<u>393,814</u>	<u>458,784</u>
Funds used.....		<u>\$ 106,578,534</u>

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

(Including Compañía de Luz y Fuerza del Centro, S. A.)

Notes to Consolidated Financial Statements

as at December 31, 1971

In Canadian Currency

1. TRANSLATION OF FOREIGN CURRENCIES

As in previous years assets, liabilities and earnings items originating in currencies other than Canadian dollars, were translated in 1971 to the latter currency at the rate of exchange of 12.49 Mexican pesos equal \$1.00 U.S. equal to \$1.00 Canadian, with the exception of investments in property, plant and equipment, which are shown at the rate of exchange in effect on the date of acquisition.

This procedure produced a credit difference in exchange amounting to \$13,232,950, \$2,067,648 greater than that on December 31, 1970, because of the new value of the Canadian dollar.

2. ESTIMATE OF ACCOUNTS DIFFICULT TO COLLECT

Collectibles due by various important customers and more than six months old amount to approximately \$3.4 million and are not covered by the provision for doubtful accounts because the Company considers them collectible in spite of their delinquency, in view of the nature of the debtors.

3. DEPRECIATION AND AMORTIZATION

In 1969, the Company adopted the rates and methods of depreciation used by the Comisión Federal de Electricidad (similar to those used by the majority of companies generating electricity in the world).

The accrued balance is in excess of the reserve for retirement and replacement established by the Law of the Electric Industry.

4. RESERVE FOR PENSIONS AND SEPARATION PAYMENTS

Since 1969, based on actuarial studies, revised periodically, which cover payments to be made up to 1980, annual provisions have been charged to earnings based on the sales of energy, so as to increase the adequacy of the reserves for the liability of the Company for pensions and separation payments.

5. PREFERRED SHARES

These shares are entitled to a cumulative preferred dividend of \$1.00 Canadian currency per share per annum, and to receive \$16.50 Canadian currency per share on redemption or in case of liquidation of the Company.

6. COST OF MATERIALS USED

A difference of opinion exists with a supplier regarding the price of material purchased for operations. As a result accrued differences not recorded in the accounts of the Company from 1960 to 1971 are estimated at \$9.5 million (\$0.3 million in 1971). It is considered, for contractual and technical reasons, that this matter will be resolved favourably to the Company.

7. CAPITALIZATION OF EMPLOYEE BENEFITS

Because of the changes in the Federal Labor Law and Social Security Law, it was deemed necessary to revise in 1971 the factor being used to charge Fixed Assets with the corresponding part of the benefits to the employees working on construction. As a result of this change, the charge to properties was \$4.0 million higher than that which would have resulted from the use of the previous factor.

THE MEXICAN LIGHT AND POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

Auditors' Report

To the Shareholders of
The Mexican Light and Power Company, Limited:

In our opinion, subject to any effect arising from the resolution of the matters mentioned in Notes 2 and 6 to the financial statements, the consolidated balance sheet in Canadian Currency and the related statements of profit and loss and movement of shareholders' investment fairly present the financial position of The Mexican Light and Power Company, Limited, and subsidiary companies, as of December 31, 1971, and the result of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made in accordance with generally accepted auditing standards including, consequently, the auditing procedures which we considered necessary in the circumstances.

DESPACHO MANUEL RESA

Manuel Resa
Public Accountant

April 14, 1972.
México, D. F.

Subsidiary Companies

Cía. de Luz y Fuerza del Centro, S. A.
Cía. de Luz y Fuerza de Pachuca, S. A.
Cía. Mexicana Meridional de Fuerza, S. A.
Cía. de Luz y Fuerza Eléctrica de Toluca, S. A.
Cía. Mexicana Hidroeléctrica y de Terrenos, S. A.

NOTE: The aggregate remuneration in 1971 to officers of the Company, including the two officers who were among the six directors of the Company, was \$185,814 Canadian Currency of which \$7,066 was paid by the Company and the balance was paid by the Company's chief operating subsidiary, Compañía de Luz y Fuerza del Centro S. A. No remuneration was paid by the Company or any of its subsidiaries to directors of the Company who were not also officers of the Company.

